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Trade and Development Board
Investment, Enterprise and Development Commission
Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development
Fourth session
Geneva, 16-17 March 2016
Item 2 of the provisional agenda

Provisional agenda and annotations

I. Provisional agenda

1. Election of officers
2. Adoption of the agenda
3. Investment, innovation and entrepreneurship for productive capacity-building and sustainable development
4. Report of the meeting

GE.16-01648(E)

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II. Annotations to the provisional agenda

Item 1
Election of officers

1. It is recommended that the expert meeting elect a Chair and a Vice-Chair-cum-Rapporteur.

Item 2
Adoption of the agenda

2. The provisional agenda for the meeting is reproduced in chapter I above. A detailed programme will be available one week before the meeting.

Documentation

TD/B/C.II/MEM.4/10 Provisional agenda and annotations

Item 3
Investment, innovation and entrepreneurship and productive capacity-building for sustainable development

3. The topic for the fourth session of the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development was decided at the fifty-sixth executive session of the Trade and Development Board, in 2012, as follows:* "The fourth session of the expert meeting will bring together the findings of the three preceding meetings, with a view towards refining UNCTAD's Investment Policy Framework for Sustainable Development, the Entrepreneurship Policy Framework and the Science, Technology and Innovation Policy Framework."

4. This last session is thus intended to summarize the work of the multi-year expert meeting from the policy perspective, bringing to a close the cycle of work undertaken on the subject matter. The timing of the fourth session suggests that it will also serve as a preparatory step towards the fourteenth session of the United Nations Conference on Trade and Development (UNCTAD XIV), in particular the deliberations under sub-theme 2 of promoting sustained, inclusive and sustainable economic growth through trade, investment, finance and technology to achieve prosperity for all.

5. Investment is essential to build productive capacities and ensure sustainable development. New generations of investment policies have emerged that place inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. This prompted UNCTAD to update its Investment Policy Framework for Sustainable Development. Following guidance from member States, specific attention is being given to how to address investment policy challenges at the regional and international levels. In particular, and in light of the pressing need for systematic reform of the global regime of international investment agreements, it is necessary to take stock of efforts and bring that reform in line with today's sustainable development imperative.

* See document TD/B/EX(56)/2/Add.1, p. 5.

6. Science, technology and innovation (STI) are central to the process of building productive capacity, increasing productivity, promoting competitive firms and industries, and drawing level economically. The links between STI policy and sustainable development are thus myriad. This is recognized in the mainstreaming of STI into the 2030 Agenda for Sustainable Development focused on the Sustainable Development Goals. The inputs from member States experts emphasized the need for policy-focused technical cooperation on STI. In particular, consideration of the conceptual framework underlying the UNCTAD STI policy review programme provided a number of elements that should enable improved relevance of such policy frameworks for future activities in support of STI policy in developing countries, particularly with regard to their response to challenges posed by fast technological change.

7. Entrepreneurship is likewise key for attaining the Sustainable Development Goals. However, to achieve impact on building productive capacities, strengthening microenterprises and small and medium-sized enterprises, addressing challenges of sustainable and inclusive growth, improving life conditions particularly of vulnerable groups of the population, such as youth and women, concerted efforts are needed to ensure a comprehensive and holistic approach to entrepreneurship promotion. That approach should be based on long-term strategies and policies, adequate resource allocation, capacity-building programmes, efficient assessment and monitoring mechanisms, coordination and cooperation at all levels, and sharing of good practices and lessons learned. In response to that challenge, UNCTAD developed the Entrepreneurship Policy Framework, which advocates a comprehensive, coherent and coordinated approach to assist policymakers in identifying, formulating and implementing policy measures on entrepreneurship and the promotion of microenterprises and small and medium-sized enterprises.

8. Experts will be requested to elaborate on, and add to, these key issue areas identified by the secretariat. Experts are asked to share experiences with regard to the implementation of the three policy frameworks, as well as to shed light on other areas of concern and future consideration in this regard.

9. To facilitate the discussions, the UNCTAD secretariat has prepared a background document entitled "Investment, innovation and entrepreneurship for productive capacity-building and sustainable development". In addition, experts are encouraged to prepare brief papers on the subject under discussion. These papers will be made available at the meeting in the form and language in which they are received.

Documentation

TD/B/C.II/MEM.4/11	Investment, innovation and entrepreneurship for productive capacity-building and sustainable development

Item 4
Report of the meeting

10. The report of the expert meeting will be submitted to the Investment, Enterprise and Development Commission at its next session.

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Corrigendum

Page 2, item 3

Under item 3, the title *should read*

Investment, innovation and entrepreneurship for productive capacity-building and sustainable development

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Geneva, 16–17 March 2016
Item 2 of the provisional agenda

Investment, innovation and entrepreneurship for productive capacity-building and sustainable development

Note by the UNCTAD secretariat

Executive summary

This paper focuses on the policy perspectives of the issues under discussion in the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development. Firstly, the paper takes stock of developments in bilateral, regional, and multilateral investment policy, describing the uptake of the Investment Policy Framework for Sustainable Development in reform efforts related to the regime of international investment agreements. Secondly, the paper considers several lessons on science, technology and innovation policy that UNCTAD has identified from its work in that area and in the Science, Technology and Innovation Policy Framework. Thirdly, the paper provides an update on entrepreneurship policies and how they relate to the achievement of the Sustainable Development Goals, with a specific focus on the Entrepreneurship Policy Framework and its application in member States.

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Introduction

1. In accordance with the topic and terms of reference for the fourth session of this multi-year expert meeting, as decided at the fifty-sixth executive session of the Trade and Development Board in 2012 (TD/B/EX(56)/2/Add.1), the present paper summarizes the findings of the three preceding sessions, with a view towards refining the UNCTAD Investment Policy Framework for Sustainable Development, the Entrepreneurship Policy Framework and the Science, Technology and Innovation Policy Framework.

2. In so doing, this paper focuses on the policy perspectives of the issues under discussion at this multi-year expert meeting. Firstly, the paper takes stock of developments in bilateral, regional, and multilateral investment policy, describing the uptake of the Investment Policy Framework in reform efforts related to the regime of international investment agreements. Secondly, the paper considers several lessons on science, technology and innovation policy that UNCTAD has identified from its work in that area, in particular its dedicated policy framework. Thirdly, the paper provides an update on entrepreneurship policies and how they relate to the achievement of the Sustainable Development Goals, with a focus on the Entrepreneurship Policy Framework and its application in member States.

I. Reforming the international investment regime: Taking stock

A. Background

3. Investment is essential to build productive capacities and ensure sustainable development. New generations of investment policies have emerged, placing inclusive growth and sustainable development at the heart of efforts to attract and benefit from investment. This has prompted UNCTAD to update its Investment Policy Framework, giving special attention to how to address investment policy challenges at the regional and international levels, based on guidance from member States. In light of the pressing need for a systemic reform of the global regime of international investment agreements to bring it in line with today's sustainable development imperative, it is necessary to take stock of the steps towards such reform. Today, the question is not whether or not reform is necessary, but what to reform, how and to what degree. The UNCTAD *World Investment Report 2015* put forward an action menu and road map for reform of the international investment agreement regime. Further, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, requests UNCTAD "to continue its existing programme of meetings and consultations with Member States on investment agreements" (para. 91).

4. UNCTAD guidance suggests that reform of the international investment agreement regime should involve four levels of policymaking, tackle five main challenges and follow six guidelines. This paper takes stock of national, bilateral, regional and multilateral efforts to achieve such reform. Evidence of reform in recent international investment agreements is shown in the annex table.

5. Reform is taking place against a background of an expanding international investment agreement regime, with intensified investment policymaking efforts at the regional level. By the end of 2015, 3,286 international investment agreements had been concluded, including 2,928 bilateral investment treaties and 358 "other international investment agreements".

B National level

6. Reform options at the national level include reviews of international investment agreements and action plans, resulting, among others, in new model treaties or unilateral termination of treaties. Since 2012, at least 115 countries have reviewed their national and/or international investment policies. About 100 of them have used the Investment Policy Framework.

7. National reviews of international investment agreements. Close to 90 of these countries have focused their reviews on the international policy dimension, that is to say, they have conducted international investment agreement reviews. In such reviews, countries analyse, among others, their treaty networks and content profiles and carry out impact and risk assessments to identify specific reform needs in line with national development objectives. Some of these reviews involve interministerial consultations, parliamentary engagement and inputs from academia, civil society and business. As part of these reviews, some countries decide whether certain international investment agreement relationships should be renegotiated, amended or terminated. Countries that have recently undertaken such reviews are Azerbaijan, Bosnia and Herzegovina, Brazil, Colombia, Egypt, Germany, India, Indonesia, Norway, South Africa, Sri Lanka and Thailand.

8. International investment agreement models. Sixty countries have developed or have been developing new model international investment agreements since 2012. Until the 1990s, such models were used mainly by developed countries, for example, Canada, Germany and the United States of America. Today, both developed and developing countries use model treaties. Revised model treaties can also indicate a country's new approach to international investment policymaking.

9. In terms of content, most of the new models contain provisions safeguarding the right to regulate – including in the pursuit of sustainable development objectives – and provisions aimed at minimizing exposure to investment arbitration. Many of these elements are in line with the Investment Policy Framework and match policy options included in the road map for international investment agreement reform. While new models differ in the extent to which they include reform elements, many of them demonstrate countries' intentions to move away from the protection only model to a more balanced model of investment for sustainable development.

C. Bilateral level

10. Bilateral reform actions include joint international investment agreement consultations and plans for a joint course of action. They can result in joint interpretations, renegotiations and amendments or consensual terminations of the parties' current international investment agreements, as well as the conclusion of new treaties.

11. Joint interpretation. As the "masters of the treaties", the parties to an international investment agreement can and have used joint interpretative statements on an existing treaty, for example, in the form of memorandums of understanding. Moreover, several recent international investment agreements include express provisions on the power of States to issue joint binding interpretations on all or some of the provisions of the treaty in question.

12. Treaty amendments or renegotiations. Since 2012, at least 19 international investment agreements, covering close to 50 countries, including the 28 European Union Member States, have been renegotiated or replaced. During this time, 10 international investment agreements signed prior to 2012 have entered into force, replacing earlier ones, and 9 international investment agreements were signed that have not yet entered into force.

These 19 agreements constitute some 8 per cent of international investment agreements that were signed or entered into force between 2012 and today.

13. New treaties. The conclusion of new, sustainable-development-friendly treaties is a key pathway for the reform of international investment agreements. As suggested in the UNCTAD road map for such reform, a comparison of the prevalence of provisions relating to international investment agreements promoting the right to regulate shows a clear shift in drafting practices. Modern treaty clauses often match the respective policy options set out in the Investment Policy Framework. This trend towards reform is even more pronounced when adding "other international investment agreements" to the analysis. The respective reform options are more prevalent in recently concluded "other international investment agreements", compared with bilateral investment treaties signed during the same time frame. The difference is most notable with regard to the clarification of indirect expropriation and the presence of public policy exceptions.

D. Regional level

14. Action taken at the regional level to reform the regime of international investment agreements includes collective treaty reviews and action plans relating to such agreements, which can result in a common model, joint interpretations, renegotiations, and/or the consolidation of treaties. Regional, international and megaregional investment agreements can also advance reform of the regime.

15. Regional model for international investment agreements. A regional model for such agreements can significantly contribute to a reform of the regime by guiding a number of countries rather than a single one or by having an impact on a megaregional agreement. If widely used, a regional model can also foster coherence and reduce the systemic complexity of the international investment agreement regime. To the extent that it lends sophistication, credibility and leverage to a country's negotiating position, a regional model can be particularly useful for developing countries. Notable examples of early reform-oriented regional models for international investment agreements are those of the Common Market for Eastern and Southern Africa (2007), the East African Community (draft model) and the Southern African Development Community (2012).

16. The European Union, which is currently negotiating a number of regional and megaregional international investment agreements, is a special case worth highlighting. While it does not use a model agreement per se, several documents, whose functions resemble those of a model, guide its negotiations. In terms of content, several European Union policy documents break new ground with respect to the reform of international investment agreements and of investor–State dispute settlement.

17. Regional or megaregional treaties. Countries have increasingly engaged in regional or megaregional rulemaking with regard to international investment agreements, and some of these treaties display features of international investment agreement reform. To the extent that megaregional agreements consolidate and streamline the regime of international investment agreements, they can also help manage relationships between international investment agreements and help enhance the systemic consistency of the regime, as suggested in the road map for the reform of international investment agreements.

18. Regional organizations. Some regional organizations have work streams containing elements of international investment agreement reform, and countries within a region sometimes take initiatives, for example, the African Union, the Energy Charter Secretariat and the Southern Observatory.

E. Multilateral level

19. The UNCTAD action menu for the reform of international investment agreements identifies several levels of multilateral reform that interact with action taken at other policymaking levels. A global review of the regime and multilateral consensus-building on key and emerging issues can help develop a shared vision on systemic reform, supported by multilateral backstopping. Work related to the reform of international investment agreements is also carried out by the United Nations Commission on International Trade Law, the Working Group on the issue of human rights and transnational corporations and other business enterprises, and the United Nations Forum on Business and Human Rights, for example.

20. For several years, UNCTAD has assisted countries in the design of new-generation investment policies, that is to say, international investment agreements that prioritize inclusive growth and sustainable development. Following a request from the Conference on International Investment Agreements, held in connection with the World Investment Forum in 2014, and based on multi-stakeholder inputs, UNCTAD developed the road map for the reform of the international investment agreement regime. It was launched in the *World Investment Report 2015* and first debated by member States during the sixty-second session of the Trade and Development Board.

21. The importance of multilateral consultations on international investment agreements in the pursuit of today's sustainable development agenda is recognized in the Addis Ababa Action Agenda, which mandates UNCTAD to continue its consultations with member States on such agreements.

22. Multilateral reform of international investment agreements is the most challenging reform path. However, only a common approach will deliver a regime in which stability, clarity and predictability help achieve the objective of all stakeholders – that of effectively harnessing international investment relationships for the pursuit of sustainable development. UNCTAD stands ready to provide the investment and development community with the necessary support in this regard. Future multi-year expert meetings could consider this and provide member States with continued opportunities to exchange experiences.

II. Science, technology and innovation policy as part of development policy

23. Science, technology and innovation are central to building productive capacity, increasing productivity, promoting competitive firms and industries, and economic catching-up. There are many links between science, technology and innovation policy and sustainable development. This is recognized in the mainstreaming of science, technology and innovation in the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. However there remain many challenges for developing countries in using science, technology and innovation policy to help achieve the Goals. Dramatic policy improvements, such as a stronger focus on investment in science, technology and innovation and the rapid adoption or diffusion of technologies and innovations, will be needed in developed and developing countries if they are to meet the Sustainable Development Goals.

A. Lessons drawn from the multi-year expert meeting sessions relevant to UNCTAD science, technology and innovation policy frameworks

24. The contributions of the experts confirmed several lessons on science, technology and innovation policy that UNCTAD has identified from its work in this area. The main ones are outlined below.

25. Since the context of science, technology and innovation[1] varies greatly among developing countries, there is no single optimal system or policy blueprint for all to follow. Science, technology and innovation policy remains highly context specific.

26. However, innovation in developing countries has specific characteristics. In these countries, more innovation is found in the traditional sectors, as they generally dominate these economies. Further, most innovation is incremental, characterized by small changes, rather than radical, or, large-scale changes. These economies are often characterized by a large informal sector, and small and microenterprises generally predominate. This is important because small and microenterprises often have a limited capacity to adopt new technologies, invest heavily in research and development, training or innovation, or introduce major technological innovations. In addition, their productivity and wages are generally lower than those of large firms. Innovation that is incremental and that is not based on research and development accounts for a relatively large share of the innovation in developing countries.

27. There is a common persistence in linear thinking rather than systems of innovation thinking in many developing countries. In practice, this leads to a narrow focus by policymakers on scientific research, as opposed to a broader focus on systemic weaknesses and the need for wider policy goals.

28. Still today, it is critical to find effective institutional frameworks for the management of science, technology and innovation. Weaknesses in institutional governance are common – inadequate leadership, vision and coordination; frequent changes in leadership; short-term horizons, which are often tied to political cycles; and a lack of sustained policy support. There is a need for high-level political support with a specific focus on longer-term development rather than short-term deliverables and short-term horizons. Weak linkages in innovation systems persist. But achieving coordination across government ministries and among Government, industry, research institutes and universities is critical to improve innovation performance.

29. In general, both the private and public sectors tend to invest little in innovation and research and development. Innovation capacity is also weak. Nonetheless, several developing countries have in recent decades achieved significant progress in this respect and are catching up technologically with the most advanced economies.

30. Inadequate access to financing for technology, innovation and training remains a common constraint for firms and farmers in these countries. In terms of sustainable development, the poorest countries will require financial assistance to rapidly scale up the adoption and diffusion of climate-sensitive technologies and innovations.

31. There is a need to improve the familiarity of policymakers with innovation concepts to overcome an excessively narrow focus on research. There is also a need to develop a better understanding of science, technology and innovation policy tools and design, as well as of measurement, monitoring and evaluation. Some policy tools such as technology foresight are rarely used in many developing countries, and others, such as intellectual property rights, require more support and better capacity to manage.

[1] Economic structure, priorities, endowments, institutional framework, history and culture.

32. Further, there is a need to improve the implementation of science, technology and innovation policies and strategies. Not all countries have such policies or strategies. But for many that do, funding for their implementation is lacking. This is often due to a limited understanding of, and support for, science, technology and innovation policy action by some key policymakers such as ministries of finance.

33. Because of these challenges, there is still a limited degree of real integration of science, technology and innovation into development policies and strategies in most developing countries. This will undermine progress towards meeting the Sustainable Development Goals within the short time frame set under the new development architecture.

34. There is an imperative not only to design policies, but to adjust them as well over time in order to maintain technological progress. However, the absence of adequate indicators to enable policymakers to judge policy impact remains common.

35. The linkages between science, technology and innovation policy and other key development policies such as those relating to industry, foreign direct investment, trade, competition, education and training, entrepreneurship, and small and medium-sized enterprises (SMEs), must be acknowledged. Understanding of these linkages must be enhanced. The need for adequate coherence among these policies requires policy attention. So does addressing weaknesses in wider framework conditions that go beyond narrowly defined science, technology and innovation policies.

36. Weak absorptive capacity among key players of innovation, especially firms and farmers, but also government ministries, departments and agencies, is often a challenge. Human capital development, notably through science, technology, engineering and mathematics education and skills development, is a basic prerequisite, along with a minimum level of capacity and infrastructure for research and development.

37. Critical international linkages and collaboration are often too weak. In particular, limited international technology adoption and diffusion are still a key issue in many countries. Technological spillovers from foreign direct investment and trade are possible but not automatic. The proliferation of global and regional value chains across an increasing number of industries has been widely noted. However, there is still much to learn about the impacts of global value chains on the opportunities for learning, knowledge and the building of technological and innovation capacity in developing countries. It is likely that spillovers from these chains are not automatic either.

B. Lessons learned from the implementation of UNCTAD technical assistance on science, technology and innovation policy in developing countries

38. The second session of the multi-year expert meeting confirmed the crucial need for policy-focused technical cooperation in science, technology and innovation. In particular, the consideration of the conceptual framework of the science, technology and innovation policy review programme of UNCTAD provided a number of elements that should enable an improved relevance of such policy frameworks for future activities in support of such policy in developing countries.

39. Advice given by UNCTAD to developing countries on science, technology and innovation policy has helped raise awareness and understanding among policymakers; likewise, it has helped promote the mainstreaming of this policy in development policies and strategies. Nevertheless challenges remain in fully mainstreaming science, technology and innovation policy, in particular in implementing policy actions and programmes. The

latter requires the achievement of buy-in from diverse stakeholders that support innovation, in particular from top policymakers, who control financing.

40. Science, technology and innovation policy reviews are part of a healthy process involving the design, implementation, monitoring and evaluation of such policy. They have proved to be useful in helping to overcome a misconceived, narrow, linear approach to thinking and policymaking on innovation. They have also proved useful in promoting an understanding of the need to improve governance of innovation and to strengthen linkages across government ministries, departments and agencies, between the public and private sectors, and between research and industry. They have helped, and in some cases stimulated, the start of a dialogue among key players that had not taken place before the review.

41. Finding ways to address the inadequacies typically encountered with innovation indicators is often an issue. A mix of quantitative and qualitative approaches is usually necessary, with the balance determined in part by the availability of reliable quantitative metrics.

42. Training and discussions on science, technology and innovation policy among developing country policymakers plays a useful role in improving the understanding of policymakers of the design and implementation of such policy. It can also help support the mainstreaming of science, technology and innovation in development policy when appreciation is gained of the experiences of other countries whose successful policies and programmes can provide good practices.

43. A key goal of training and discussions among policymakers and other innovation stakeholders, as well as of science, technology and innovation policy reviews, is to help create a common understanding of such policy among developing country policymakers and other stakeholders who have a role to play in enabling the country to improve its innovation performance. Achieving this common understanding can be a challenge, especially where there are strongly embedded ideas about innovation that are narrow and linear in nature, as opposed to systemic thinking (accepting that innovation is supported by innovation systems), and where there is strong resistance to collaboration across government or other stakeholders.

44. Mixing policymakers from different government ministries, departments and agencies is a useful approach to create a common understanding of the role and exercise of science, technology and innovation policy. This allows players from departments with different mandates, perspectives and terminologies to gain an appreciation for the perspectives of other stakeholders that may also have merit, although they may be different.

45. A regional or subregional approach can also prove useful, as there are often commonalities among countries within a developing region or subregion that can form a basis for discussions and build common understanding across these countries.

C. Innovation and productive capacity

46. Rapid technological change in fields such as artificial intelligence, robotics, green energy production, three-dimensional printing, the process of hardware becoming software[2] and advances in biogenetics and life sciences are likely to present policymakers with complex choices. These trends are reinforced by a growing connectivity among devices and applications with exponentially growing feedback capacities that make technological

[2] Hardware technologies become applications that run on universal machines.

systems increasingly aware of their environment and thus decrease the need for human operation or guidance.

47. Initial consequences of these changes may save labour and liberate human capacity to be developed and employed in increasingly more creative and productive services and industries. However, medium- to long-term technological progress may eventually produce an erosion of labour-cost advantages as a competitive factor. The initial responses may be defensive and may for instance aim to further lower wages. But countries may also explore new opportunities to use science, technology and innovation to build competitive advantage for their productive sectors beyond low-wages and tax incentives.

48. Another factor to be taken into account is that with the deployment of massive information and communications technologies, competencies and tacit knowledge become increasingly easier to transfer, as content – from academic to practical know-how – goes online. This is partly due to traditional knowledge stakeholders opening up their knowledge vaults on the Internet and is spurred on by the growth of a culture of open access, innovation and knowledge sharing that is enabled by social media and content platforms. Future multi-year expert meetings could consider these future developments and provide member States with an opportunity to exchange related experiences. These meetings could also help address the persisting need to enable the sharing of science, technology and innovation policy experiences and knowledge among policymakers from developing countries.

III. Entrepreneurship for development

A. The role of entrepreneurship in development

49. The General Assembly of the United Nations has recognized the role of entrepreneurship in development. At its sixty-seventh session in December 2012, the General Assembly adopted its first resolution on entrepreneurship for development (A/RES/67/202), which identified entrepreneurship as a means to address sustainable development challenges – notably, unemployment and poverty – and to expand opportunities for all, including socially disadvantaged groups, in particular, women and youth. In 2014, the Department of Economic and Social Affairs requested UNCTAD to prepare a report to the General Assembly on the implementation of this resolution. It served as a background document for a second resolution on entrepreneurship for development (A/C.2/69/L.14) adopted by its sixty-ninth session in 2014. This resolution reinforced the centrality of entrepreneurship in the achievement of sustainable development and stressed the need for evaluating the success of entrepreneurship promotion policies and impact measurement tools and indicators.

50. The 2030 Agenda for Sustainable Development, adopted by United Nations Member States in September 2015, further emphasized the role of entrepreneurship in sustainable development, particularly in Goals 4 and 8, as described below:

(a) Goal 4 (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all), target 4.4: "By 2030, sustainably increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship";

(b) Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), target 8.3: "Promote development-oriented policies that support productive capacities, decent job creation, entrepreneurship,

creativity and innovation and encourage the formalization and growth of micro-, small and medium-sized enterprises, including through access to financial services".

51. However, entrepreneurship is multifaceted. As such, it can make an important contribution to the implementation of the Sustainable Development Goals and have a positive impact on the achievement of multiple targets. It is critical for employment generation and job creation, particularly in the micro, small and medium-sized enterprise sector, which provides the majority of employment opportunities in most countries; for example, in sub-Saharan Africa, 80 per cent of employment is generated in this sector. Micro, small and medium-sized enterprise development offers important means of achieving better standards of living. It helps eradicate poverty and reduce inequality, end hunger and achieve food security. It also helps to ensure healthy lives and well-being for all, provide inclusive and equitable education, and promote gender empowerment and equality.

52. Compared with large corporations, micro, small and medium-sized enterprises are more flexible and innovative, yet resource constrained. Therefore, they can contribute towards the sustainable use of water, energy, land, forests, marine and other resources. They can help combat climate change, foster sustainable consumption and production patterns, and promote sustainable cities. Micro, small and medium-sized enterprises are also an important vehicle for diversification and industrialization; they can help build peace by offering new opportunities to those who are not satisfied with their living conditions, particularly in post-conflict zones.

B. Implementing the Entrepreneurship Policy Framework

53. Concerted efforts in policy formulation and capacity-building are necessary to enhance the role of entrepreneurship for development. Rising to this challenge, UNCTAD developed the Entrepreneurship Policy Framework. The Framework advocates a comprehensive, coherent and coordinated approach to assist policymakers to identify, formulate and implement policy measures on entrepreneurship and micro, small and medium-sized enterprise promotion. Its objective is to help countries design initiatives, measures and institutions that will promote entrepreneurship across six interrelated priority areas: formulating national entrepreneurship strategy, optimizing the regulatory environment, enhancing entrepreneurship education and skills development, facilitating technology exchanges and innovation; improving access to finance; and promoting awareness and networking.

54. Following the launch of the Framework in 2012, several countries, including Brazil, Cameroon, the Dominican Republic, Ecuador, the Gambia, Ghana, Nigeria, Panama, the United Republic of Tanzania and Zimbabwe implemented or have been implementing the Framework, with some variation across countries.

55. Based on the Framework, UNCTAD developed a measurement tool and indicators to assess the level of development in the six key policy areas, identify gaps and decide on priorities for further actions. The annex figure illustrates the outcome of such an assessment in a country where UNCTAD applied the Framework approach, indicating strong and weak areas of the current entrepreneurship ecosystem.

56. Building on the Framework, the *Policy Guide on Youth Entrepreneurship* (2015) was developed jointly by UNCTAD and the Commonwealth Secretariat to meet the challenges of youth unemployment. The Guide aims to support the creation and strengthening of national systems that provide young people with the entrepreneurial skills, resources and networks they need to start and grow businesses in fair and youth-friendly regulatory environments. It proposes policy recommendations on youth entrepreneurship

promotion and highlights some 90 cases in this area that have had a positive economic and social impact. It was launched at the Commonwealth Business Forum in Malta in November 2015.

57. Together, UNCTAD and the Commonwealth Secretariat could offer technical assistance and capacity-building based on the Guide's framework to countries wishing to develop a youth entrepreneurship ecosystem.

C. Entrepreneurship and productive capacity-building

58. Productive capacities are defined as the productive resources, entrepreneurial capabilities and production linkages, which together determine the capacities of a country to produce goods and services and enable it to grow and thrive. Strengthening productive capacities implies, therefore, the facilitation of entrepreneurial skills, capital accumulation, technological progress and business linkages. For more than for two decades, UNCTAD has been actively involved in assisting developing countries and countries with economies in transition in productive capacity-building in the SME sector through entrepreneurship development programmes such as Empretec and Business Linkages.

59. Since 1988, Empretec has provided training to more than 350,000 entrepreneurs in more than 35 developing countries and in countries with economies in transition to help them to start, grow and develop their businesses. According to surveys conducted by Empretec national centres, the Empretec programme significantly increases the survival rate of small businesses, opens up new business and employment opportunities, contributes to efficiency and productivity growth, and improves access to clients and financial resources of participating entrepreneurs.

60. The Business Linkages programme aims to upgrade the capacities of local suppliers and facilitate their integration into global value chains based on their business links with large international or domestic companies. The UNCTAD programme has been carried out in nine developing countries, creating substantial and mutually beneficial win-win opportunities for domestic firms and foreign affiliates. With a view to attaining sustainable development objectives, it has increasingly incorporated inclusiveness and sustainability principles, leveraging the incentives and resources of the private sector to adopt environmental standards and ensure the beneficial inclusion of the poorest segment of the population, especially in rural settings.

61. In this regard, UNCTAD carried out two projects in the United Republic of Tanzania and Zambia to promote business linkages in the sustainable tourism and green construction value chains, respectively. The projects provide support for small local suppliers to meet the environmental standards of transnational corporations and develop the entrepreneurial mindset of poor rural entrepreneurs and marginalized urban producers. In this way, business linkages become a means to allow domestic SMEs, including small rural enterprises, to diversify and add value to their production, thereby participating more effectively in international production systems.

62. Entrepreneurship is key in attaining the Sustainable Development Goals. However, to achieve its impact on building productive capacities, strengthen micro, small and medium enterprises; address the challenges of sustainable and inclusive growth; and improve living conditions, particularly of vulnerable groups of the population, such as youth and women, concerted efforts are needed to ensure a comprehensive and holistic approach to entrepreneurship promotion. Such an approach should be based on long-term strategies and policies, adequate resource allocation, capacity-building programmes, efficient assessment and monitoring mechanisms, coordination and cooperation at all levels, and sharing of good practices and lessons learned. Therefore it is critical that

entrepreneurship and SME development continue to be addressed by UNCTAD in a systemic manner as an inherent part of the global development agenda. Future multi-year expert meetings could consider this work, and provide member States with further opportunities to exchange experiences in this regard.

Annex

Evidence of reform in recent international investment agreements: Preserving the right to regulate

Treaty provisions: Options for reform in international investment agreements	*UNCTAD Investment Policy Framework*[a]	*1962–2011 Bilateral investment treaties (862) (percentage)*	*2012–2014 Bilateral investment treaties (40) (percentage)*
Preamble	1.1.1	10	65
Include public policy interests as treaty objectives			
Definition of covered investment	2.1.1	5	45
Expressly exclude specific types of assets			
Definition of covered investor	2.2.2	7	58
Include denial-of-benefits clause			
Most-favoured-nation treatment	4.2.2	3	33
Specify that not applicable to other investor–State dispute settlement provisions of international investment agreements			
Fair and equitable treatment	4.3.1	4	40
Refer to minimum standard of treatment/customary international law			
Indirect expropriation	4.5.1	4	35
Establish criteria to be taken into consideration by tribunals			
Free transfer of funds	4.7.2	8	70
Include exceptions for serious balance-of-payments difficulties or other financial and economic crises			
Public policy exceptions	5.1.1	12	58
Include public policy exceptions			

Source: UNCTAD.

[a] Numbering refers to the policy options set out in the table "Policy options for international investment agreements" (part A), UNCTAD, 2015, *Investment Policy Framework for Sustainable Development*.

Results of the application of the Entrepreneurship Policy Framework measurement tool